

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE INSPECTOR GENERAL**

**AUDIT OF THE DISTRICT OF COLUMBIA  
CHILD SUPPORT ENFORCEMENT  
SYSTEM CONTRACT**



**CHARLES C. MADDOX, ESQ.**  
**Inspector General**

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Office of the Inspector General

Inspector General



October 22, 2003

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Dear Mr. Spagnoletti, Ms. Peck, and Mr. Abadie:

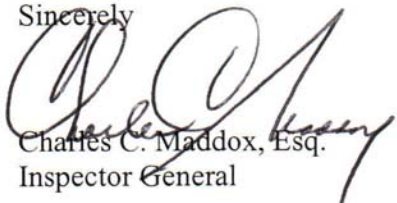
Enclosed is our final report summarizing the results of the Office of the Inspector General's (OIG) Audit of the District of Columbia Child Support Enforcement System Contract (OIG No. 01-1-11CB(b)).

Our audit report contained nine recommendations for necessary action to correct the described deficiencies. A draft report was sent to the Office of Corporation Counsel (OCC), Office of Contract and Procurement (OCP), and the Office of the Chief Technology Officer (OCTO). OCC provided a response that incorporated actions taken by OCP on October 3, 2003. OCTO responded on June 26, 2003. We consider actions taken and/or planned by all agencies to be responsive to the recommendations.

Although planned actions taken in response to the recommendations were responsive, we request that your office provide us with target dates for completed corrective actions on each of those recommendations. The complete text of OCC's and OCTO's response is included at Exhibits B and C, respectively.

We appreciate the cooperation and courtesies extended to our staff during the audit. If you have questions, please contact William J. DiVello, Assistant Inspector General for Audits, or me at (202) 727-2540.

Sincerely,



Charles C. Maddox, Esq.  
Inspector General

CCM/cj

cc: See distribution list

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## **AUDIT OF THE DISTRICT OF COLUMBIA CHILD SUPPORT ENFORCEMENT SYSTEM CONTRACT**

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## **EXECUTIVE DIGEST**

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### **OVERVIEW**

This report is the second of two reports on the Office of the Inspector General's (OIG) audit of the District of Columbia Child Support Enforcement System (DCCSES). The report summarizes the results of our review on contracting issues that were discovered during our first review but not included in our first report, Audit of the District of Columbia Child Support Enforcement System (OIG No. 01-1-11CB(a)).

### **CONCLUSION**

Our report contains four findings, which encompass six deficiencies. We found that the Child Support Enforcement Division (CSED): (1) paid the DCCSES Information Technology (IT) services contractor (contractor) \$1,015,000 in direct and indirect communications salary costs and \$2,946,000 in direct and indirect network maintenance salary costs for personnel that the contractor did not provide in accordance with the DCCSES IT services contract (contract); (2) will incur \$2,913,000 in direct and indirect network maintenance and communications salary costs if action is not taken to modify the contract to exclude personnel the contractor has not provided; (3) paid the contractor a total of \$829,924 for salary costs resulting from staffing hours that were unreasonable, and will incur an additional \$331,030 for network maintenance salary costs that are above the contract required staffing hours; (4) paid the contractor \$13,686 for personal computer (PC) maintenance while the PCs were under a 3-year manufacturer's warranty, and will incur \$447,552 in unreasonable PC maintenance costs; (5) can possibly avoid \$127,723 in computer facility rental costs and reduce or eliminate facilities management other direct costs by moving the facility to the Office of the Chief Technology Officer (OCTO) Data Center 2 (ODC2); and (6) can possibly recover \$560,805 billed by the contractor for installation of a new network that was never installed because the provision was deleted from the contract.

### **CORRECTIVE ACTIONS**

We directed 9 recommendations to the Office of the Corporation Counsel (OCC), the Office of Contracting and Procurement (OCP), and OCTO to correct deficiencies noted in the report. Recommendations were made to assist in recovering the costs of personnel services the contractor did not or may not supply, and for avoiding the future costs of services the contractor is not likely to provide in accordance with contract terms. Additionally, we made recommendations to reduce the District's cost to maintain and support the CSED local area network (LAN) and DCCSES. A summary of potential benefits resulting from this audit is included at Exhibit A.

A draft report was sent to the Office of Corporation Counsel (OCC), Office of Contract and Procurement (OCP), and the Office of the Chief Technology Officer (OCTO). OCC provided a response that incorporated actions taken by OCP on October 3, 2003. OCTO responded on June 26, 2003. We consider actions taken and/or planned by all agencies to be responsive to the recommendations. The complete text of OCC's and OCTO's response is included at Exhibit B and C, respectively.

Although no recommendations were made to the contractor identified in this report, the contractor was provided a courtesy copy. We received comments to a draft of this report from the Senior Vice President/General Manager of the contractor referred to in the audit report. These comments have been included as part of the permanent audit working paper files.

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## INTRODUCTION

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### BACKGROUND

In accordance with D.C. Code § 1-15-31 (2001), Reorganization for the Office of the Corporation Counsel and the Department of Human Services, Mayor's Order 98-57 § I, dated April 17, 1998, transferred the responsibility for the operation and administration of the child support enforcement program from the Department of Human Services (DHS) to the OCC. The CSED, a division within OCC, performs all legal and programmatic functions associated with the District government's child support program. The D.C. Superior Court, as provided by D.C. Code § 46-202.01 (2001), supports the CSED by collecting child support payments, making daily disbursements to clients, and enforcing child support orders.

The U.S. Department of Health and Human Services, Administration for Children and Families, Office of Child Support Enforcement (OCSE) oversees and provides nationwide oversight for state and local child support programs. The Social Security Disability Amendments Act of 1980, Pub. L. No. 96-265 (1980), provides for the establishment and implementation of a comprehensive, automated, statewide management information system to support child support enforcement programs. The Family Support Act of 1988, Pub. L. No. 100-485 (1988) mandates the automation of all program requirements under Title IV-D and provides for enhanced funding for automated systems.

The Family Support Act of 1988 (FSA 88), enacted October 13, 1988, was intended to provide local child support enforcement offices with guidelines for implementing automated systems in support of child support enforcement. The federal government reimbursed local offices up to 90 percent of the cost required to implement and modify their systems. Originally, local offices had until October 1, 1995, to implement the FSA 88 requirements. Pub. L. No. 104-35, amending part D of title IV of the Social Security Act, extended the October 1, 1996, deadline to October 1, 1997.<sup>1</sup>

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996,<sup>2</sup> Pub. L. No. 104-193, 110 Stat. 2105, 2235-37<sup>3</sup> (PRWORA) allowed federal funding at the 90 percent rate for state expenditures to meet the FSA 88 requirement for implementing an automated child support system, with limits, retroactive to October 1, 1995, through

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<sup>1</sup> Pub. L. No. 104-35, 109 Stat. 294 (1995) (codified as amended at 42 U.S.C.S. § 654(24) (Lexis through 2002 legislation)).

<sup>2</sup> Under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, each State must operate a child support enforcement program that meets federal requirements in order to be eligible for grants.

<sup>3</sup> (codified as amended at 42 U.S.C.S. §§ 651-669 (Lexis through 2002 legislation))

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## INTRODUCTION

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September 30, 1997. Federal funding for fiscal years 1996 – 2001 was allowed at an enhanced rate of 80 percent.<sup>4</sup> FSA 88 and PRWORA are the two federally mandated certifications the DCCSES must meet.

OCSE conducted an FSA 88 certification review of the DCCSES in September 1998 and concluded that the DCCSES was not compliant. OCSE conducted another FSA 88 certification review in October 1999 and December 1999 (the review required two visits). On April 21, 2000, OCSE granted DCCSES conditional FSA 88 certification because findings identified during the OCSE review did not impede the overall functionality of the DCCSES and because identified anomalies could be easily corrected prior to recertification.

OCSE performed a PRWORA certification review of the DCCSES in May 2001 and, based on that review, granted CSED full FSA 88 certification on September 18, 2001. However, the PRWORA review identified five problems that CSED had to correct in order to become PRWORA certified. As of our last review, OCSE had not scheduled the follow-up review. A representative of OCSE told us that they tentatively planned to conduct the PRWORA certification follow-up review around late April or May 2002, but canceled the scheduled review because CSED had not completed all of the requirements for PRWORA certification.

To facilitate CSED's efforts to meet PRWORA requirements, OCP awarded a \$31 million, 5-year service contract on May 21, 1999, to a contractor to operate, maintain, implement, and develop enhancements for CSED's DCCSES. Specifically, provisions within this contract were intended to facilitate: (1) new equipment and facility management operations; (2) database clean-up services; and (3) DCCSES certification in accordance with PRWORA requirements.

### OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our audit were to: (1) determine if CSED could bring DCCSES operations in-house to further reduce the cost to administer and operate the system (OIG No. 01-1-11CB(a)) and (2) determine the effective and efficiency of contract administration.

To accomplish our objectives, we examined the contract, the quality assurance (QA) provider contract, financial reports, invoices, billing documents, operational policies and

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<sup>4</sup> Normally, data processing costs are reimbursable by the federal government at 66 percent of the data processing expenditures required to support child support enforcement. "Enhanced rate" refers to the 14 percent increase above the regular 66 percent rate of reimbursement. The federal government granted this rate to assist and encourage agencies to implement the new requirements as soon as possible.



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## **INTRODUCTION**

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procedures, and other relevant documentation pertaining to the DCCSES and CSED for the period 1988 to 2002. We conducted interviews with CSED, the contractor, and the QA contractor management and staff personnel.

Our audit was conducted in accordance with generally accepted auditing standards and included such tests as we considered necessary under the circumstances.

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## FINDINGS AND RECOMMENDATIONS

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### FINDING 1: CONTRACTOR PERSONNEL COST

#### SYNOPSIS

During the first 3 years of the 5-year contract, CSED paid the contractor \$1,015,993 in direct<sup>5</sup> and indirect<sup>6</sup> communications salary costs and \$2,946,162 in direct and indirect network maintenance salary costs for personnel the contractor did not supply as required by the contract. Further, over the remaining 2 years of the contract, CSED will incur an additional \$903,822 in direct and indirect communications salary costs and \$2,009,178 in direct and indirect network maintenance salary costs if CSED does not modify the contract to exclude personnel the contractor did not provide in the previous 3-year contract period. Additionally, CSED paid the contractor \$829,924 for salary costs that were above the contract's required staffing hours and reasonable expectations, and will incur an additional \$331,030 in salary costs during the last 2 years of the contract. These conditions went undetected because CSED did not adequately oversee the contract to ensure that the contractor provided personnel in accordance with contract provisions. As a result, CSED expended approximately \$4,792,079<sup>7</sup> in salary costs for services that the contractor did not provide as specified in the contract, and will incur an additional \$3,244,030<sup>8</sup> in salary costs if CSED does not take action to prevent these expenditures.

#### DISCUSSION

The DCCSES contract includes specifically priced tasks and functions that are necessary to operate, maintain, and enhance the system. These tasks and functions clearly outline the expected level of the contractor's services; including the kind of personnel to be employed; the hours to be worked; and the corresponding cost for each labor category. We reviewed all contract labor categories and found problems in several areas of facilities management to include: communications salary costs, network equipment maintenance salary costs, and network equipment employee work hours.

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<sup>5</sup> Direct costs are costs that can be identified relatively easily with a high degree of accuracy and are specifically linked to a particular sponsored project.

<sup>6</sup> Indirect costs are costs that are incurred for common or joint objectives and, therefore, cannot be readily and specifically linked to a particular sponsored project or institutional activity.

<sup>7</sup> This cost includes the salary cost that CSED has expended \$1,015,993; \$2,946,162; and \$829,924.

<sup>8</sup> This cost includes the salary cost that CSED will incur \$2,009,178; \$903,822; and \$331,030.

## FINDINGS AND RECOMMENDATIONS

**Facilities Management Costs** - The facility management operation costs for each year of the contract consist of facilities management and equipment maintenance costs for each respective year.<sup>9</sup> The facilities management costs for each contract year are shown in Table 1. The facilities management operation costs include the direct personnel salary costs, indirect project management salary costs, and other direct costs, which CSED pays each year in twelve monthly installments.

**TABLE 1: FACILITIES MANAGEMENT OPERATION COSTS**<sup>10</sup>

Item	Year 1	Year 2	Year 3	Year 4	Year 5
<b>1. Facility Management</b>					
a. Personnel	\$1,517,384	\$1,737,528	\$2,328,551	\$2,399,626	\$2,478,183
b. Communications	258,501	470,879	515,584	535,246	556,787
c. Other	402,425	291,158	317,665	333,382	350,412
<b>2. Equipment Maintenance- D.C. Equipment</b>					
a. Personal Computers (PCs)	4,286	4,501	4,899	211,867	222,199
b. Network	991,728	1,095,240	1,011,873	1,051,973	1,095,715
<b>TOTAL</b>	<b>\$3,174,324</b>	<b>\$3,599,306</b>	<b>\$4,178,572</b>	<b>\$4,532,094</b>	<b>\$4,703,296</b>

**Communications Salary Costs** - During contract years 1-3, CSED paid the contractor \$1,244,964 for communications salary costs. Of this amount, CSED paid the contractor \$877,230 in direct salary costs for 2 IBM telecommunications specialists that the contractor did not hire and \$138,763 in indirect communications project management salary costs. Further, over the remaining 2 years of the contract, CSED will incur \$789,120 in direct salary costs for the 2 IBM telecommunications specialists and \$114,702 in indirect communications project management salary costs. The details supporting these amounts are shown in Table 2.

<sup>9</sup> Equipment maintenance costs are comprised of PC, printer, network, and other costs.

<sup>10</sup> Data Base Cleanup costs and Help Desk costs of \$3,121,858 and \$1,100,872 respectively, were excluded from years 1 and 2 facilities management costs because they were non-reoccurring.

## FINDINGS AND RECOMMENDATIONS

**TABLE 2: DIRECT AND INDIRECT COMMUNICATIONS SALARY COSTS**

Position	Year 1	Year 2	Year 3	Years 1-3 Totals	Year 4	Year 5	Years 4 & 5 Totals	5-Year Totals
Telecom Specialist	\$164,450	\$173,650	\$182,740	<b>\$520,840</b>	\$192,270	\$202,290	<b>\$394,560</b>	<b>\$915,400</b>
Telecom Specialist	\$0	\$173,650	\$182,740	<b>\$356,390</b>	\$192,270	\$202,290	<b>\$394,560</b>	<b>\$750,950</b>
<b>Direct Cost Totals</b>	<b>\$164,450</b>	<b>\$347,300</b>	<b>\$365,480</b>	<b>\$877,230</b>	<b>\$384,540</b>	<b>\$404,580</b>	<b>\$789,120</b>	<b>\$1,666,350</b>
Project Executive	\$1,391	\$4,151	\$11,133	<b>\$16,675</b>	\$11,133	\$11,133	<b>\$22,266</b>	<b>\$38,941</b>
Project Manager	\$509	\$2,909	\$8,519	<b>\$11,937</b>	\$8,519	\$8,519	<b>\$17,038</b>	<b>\$28,975</b>
Deputy Project Manager	\$11,183	\$24,832	\$26,132	<b>\$62,147</b>	\$27,495	\$28,927	<b>\$56,422</b>	<b>\$118,569</b>
QC & Certification Specialist	\$3,088	\$6,536	\$5,954	<b>\$15,578</b>	\$5,954	\$5,954	<b>\$11,908</b>	<b>\$27,486</b>
Executive Assistant	\$495	\$2,111	\$0	<b>\$2,606</b>	\$0	\$0	<b>\$0</b>	<b>\$2,606</b>
Policy Specialist	\$0	\$3,569	\$0	<b>\$3,569</b>	\$0	\$0	<b>\$0</b>	<b>\$3,569</b>
Office Manager	\$620	\$21,118	\$2,542	<b>\$24,280</b>	\$2,542	\$2,542	<b>\$5,084</b>	<b>\$29,364</b>
Clerk	\$242	\$827	\$902	<b>\$1,971</b>	\$992	\$992	<b>\$1,984</b>	<b>\$3,955</b>
<b>Indirect Cost Totals</b>	<b>\$17,528</b>	<b>\$66,053</b>	<b>\$55,182</b>	<b>\$138,763</b>	<b>\$56,635</b>	<b>\$58,067</b>	<b>\$114,702</b>	<b>\$253,465</b>
<b>Yearly Totals</b>	<b>\$181,978</b>	<b>\$413,353</b>	<b>\$420,662</b>	<b>\$1,015,993</b>	<b>\$441,175</b>	<b>\$462,647</b>	<b>\$903,822</b>	<b>\$1,919,815</b>

The contract provides that two IBM telecommunications specialists would perform the communications maintenance for CSED. However, the contract project manager informed us that the two telecommunications specialists were never hired. Section L.1.9.7.3. of the contract provides that the telecommunications specialist position is considered a key position.<sup>11</sup> Further, contract section L.2.3.2. provides:

The key personnel specified in the contract are considered to be essential to the work being performed hereunder. Prior to replacing with new personnel any specified key personnel for any reason, the Contractor shall notify the Contracting Officer at least thirty (30) calendar days in advance and shall submit justification (including proposed substitutions) in sufficient detail to permit evaluation of the impact on the contract. The Contractor shall not reassign these key personnel or impact on the contract. The Contractor shall not reassign these key personnel or appoint replacements, without written permission from the Contracting Officer.<sup>12</sup>

<sup>11</sup> CONTRACT TO UPGRADE AUTOMATED CHILD SUPPORT ENFORCEMENT SYSTEM, CONTRACT NO. 8105-AA-NS-4-JJ (1999), art. 22.15, sec. L.1.9.7.3(a)(1).

<sup>12</sup> *Id.* sec. L.2.3.2.

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## FINDINGS AND RECOMMENDATIONS

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This section reinforces the importance of the contractor hiring essential personnel to perform the work prescribed in the contract and of their responsibility to make the District aware of any changes in the employment status of essential personnel. In this instance, the contractor did not replace or reassign key personnel in violation of this provision; however, the contractor failed to hire the key personnel specified in the contract to perform essential functions under the contract. Further, we did not find any documentation or contract modifications that would justify the contractor's failure to staff the two telecommunications specialist positions.

The communications deliverable defined in section C.8.1.11.5. of the contract provides that "[t]he proposed system must be capable of connecting to the existing District network." This provision is vague and does not provide for specific tasks to be performed by the telecommunications specialist. The ambiguity of this provision makes it difficult to determine what service deliverable(s) must be provided by the two telecommunications specialists beyond connecting to the existing District network.

In light of the preceding discussion, CSED should not have paid the contractor for telecommunications personnel identified in the contract but not subsequently hired. Further, the contractor should not have fully allocated indirect project management costs to project areas where personnel were not supplied as provided in the contract. Therefore, we question \$1,015,993 paid by the District in direct and indirect communications project management salary costs for years 1-3 of the contract. These monies should be refunded to the District or offset against future contractor billings. CSED should also review future direct and indirect communications costs totaling \$903,822 to ensure that the contractor is providing communications personnel and services in accordance with contract provisions. Otherwise, the contract should be modified to adjust contract amounts for these unnecessary personnel services.

**Network Maintenance Salary Costs** - During contract years 1-3, CSED paid the contractor \$2,946,162 for network maintenance salary costs. Of this amount, CSED paid \$2,117,562 in direct network maintenance salary costs for 3 IBM network maintenance employees that the contractor failed to provide as stated in the contract and \$828,600 in indirect network maintenance project management salary costs. Additionally, CSED will incur \$1,316,759 in direct network maintenance salary costs for the 3 IBM network maintenance employees and \$692,419 in indirect network maintenance project management salary costs over the remaining 2 years of the contract. Table 3 provides details on the amounts paid to the contractor for the first 3 years of the contract and the amounts to be paid to the contractor in the remaining 2 years for this category of costs.

## FINDINGS AND RECOMMENDATIONS

**TABLE 3: DIRECT AND INDIRECT NETWORK MAINTENANCE SALARY COSTS**

Position	Year 1	Year 2	Year 3	Years 1-3 Totals	Year 4	Year 5	Years 4 & 5 Totals	5-Year Totals
Network Mgr.	\$92,842	\$97,817	\$103,025	<b>\$293,684</b>	\$108,503	\$114,241	<b>\$222,744</b>	<b>\$521,078</b>
Network Maint.	\$263,878	\$279,000	\$294,847	<b>\$837,725</b>	\$311,531	\$329,053	<b>\$640,584</b>	<b>\$1,506,209</b>
On-Site LAN Support Engin.	\$378,101	\$398,300	\$209,752	<b>\$986,153</b>	\$220,875	\$232,556	<b>\$453,431</b>	<b>\$1,452,604</b>
<b>Direct Cost Totals</b>	<b>\$734,821</b>	<b>\$775,117</b>	<b>\$607,624</b>	<b>\$2,117,562</b>	<b>\$640,909</b>	<b>\$675,850</b>	<b>\$1,316,759</b>	<b>\$3,479,891</b>
Project Executive	\$16,817	\$25,112	\$67,299	<b>\$109,228</b>	\$67,299	\$67,299	<b>\$134,598</b>	<b>\$245,493</b>
Project Manager	\$6,153	\$17,586	\$51,498	<b>\$75,237</b>	\$51,498	\$51,498	<b>\$102,996</b>	<b>\$180,404</b>
Deputy Project Manager	\$134,191	\$149,686	\$157,522	<b>\$441,399</b>	\$165,737	\$174,374	<b>\$340,111</b>	<b>\$785,774</b>
QC & Certification Specialist	\$37,334	\$39,506	\$35,992	<b>\$112,832</b>	\$35,992	\$35,992	<b>\$71,984</b>	<b>\$186,426</b>
Executive Assistant	\$5,987	\$12,759	\$0	<b>\$18,746</b>	\$0	\$0	<b>\$0</b>	<b>\$19,130</b>
Policy Specialist	\$0	\$21,574	\$0	<b>\$21,574</b>	\$0	\$0	<b>\$0</b>	<b>\$21,859</b>
Office Manager	\$7,496	\$12,800	\$15,366	<b>\$35,662</b>	\$15,366	\$15,366	<b>\$30,732</b>	<b>\$67,749</b>
Clerk	\$2,926	\$4,997	\$5,999	<b>\$13,922</b>	\$5,999	\$5,999	<b>\$11,998</b>	<b>\$27,275</b>
<b>Indirect Cost Totals</b>	<b>\$210,904</b>	<b>\$284,020</b>	<b>\$333,676</b>	<b>\$828,600</b>	<b>\$341,891</b>	<b>\$350,528</b>	<b>\$692,419</b>	<b>\$1,534,112</b>
<b>Yearly Totals</b>	<b>\$945,725</b>	<b>\$1,059,137</b>	<b>\$941,300</b>	<b>\$2,946,162</b>	<b>\$982,800</b>	<b>\$1,026,378</b>	<b>\$2,009,178</b>	<b>\$5,014,003</b>

The contract provides that three IBM employees (network manager, network maintenance employee, and on-site LAN support person) would perform network maintenance for CSED. However, the contract project manager informed us that these three positions were not filled with IBM employees, and District officials were notified to that effect. Our review of contract documentation did not reveal any modifications or documentation in the contract file indicating that the District authorized or was made aware of this deviation from the contract's terms.

The contract project manager identified one of its employees who was responsible for providing network maintenance; however, the contract project manager was unsure of the employee's job title. Further, the CSED contract project manager and CSED automated data processing (ADP) staff were unsure of the job title or exact responsibilities of this individual. When we interviewed the employee responsible for network maintenance, he confirmed that he is the CSED LAN system administrator and the only person responsible for maintaining the CSED LAN. However, neither the contractor nor CSED

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## FINDINGS AND RECOMMENDATIONS

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personnel could match the CSED LAN system administrator's position to the corresponding position provided for in the contract.

The contractor failed to hire the three IBM network maintenance employees identified in the contract. As such, CSED should not have paid the contractor for network personnel that the contractor did not hire, or for contracted employees for whom contractor could not provide a job description that corresponds with the appropriate provision in the contract. Further, the contractor should not have fully allocated indirect project management costs to project areas where personnel were not supplied as provided in the contract. Therefore, we question whether any of the \$2,946,162 in direct and indirect network maintenance project management salary costs for years 1-3 of the contract should have been paid to the contractor. In addition, we recommend that CSED review the future direct network maintenance and indirect network maintenance project management salary costs of \$2,009,178 to ensure that the contractor is providing network maintenance personnel and services according to the contract.

**Excessive Work Hours** - The work hours allocated in the contract for a network maintenance employee are excessive for the 5-year contract term. In addition, the allocated hours for the on-site LAN support engineer were excessive for the first 2 years of the contract. Section L.2.3.2 of the contract provides "[t]he staff loading chart should assume no more than eight (8) work hours per day and no more than five (5) days per week." Yet, in spite of this provision, the contract also provides that a network maintenance employee will work 5,580 hours a year for the 5-year term of the contract, and that an on-site LAN support engineer will work 3,720 hours per year for years 1 and 2 of the contract.

Therefore, for the first 3 years of the contract, CSED paid the contractor a total of \$496,545 for one network maintenance employee salary in excess of the contract's required staffing hours. In contract years 4 and 5, CSED will incur an additional \$331,030 for the network maintenance employee's salary that is above the contract's required staffing hours. Further, for years 1 and 2 of the contract, CSED overpaid the contractor \$333,379 in on-site LAN support engineer salary costs that were in excess of the contract's required staffing hours. Table 4 provides the details.

## FINDINGS AND RECOMMENDATIONS

**TABLE 4: NETWORK MAINTENANCE PERSONNEL LABOR HOURS**

	POSITIONS		
	Network Maintenance Employee		On-Site LAN Support Engineer
Contract Year Period	Years 1 - 3	Years 4 - 5	Years 1 - 2
Yearly Hours Allocated for Position	5580	5580	3720
Normal Work Hours for a Year	2080	2080	2080
Difference Between Allocated Hours and Normal Work Hours	3500	3500	1640
Employee Hourly Rate	\$47.29	\$47.29	\$101.64
Yearly Amount of Overpayment or Expected Amount of Overpayment Per Year	\$165,515.00	\$165,515.00	\$166,689.60
Total Amount of Overpayment or Expected Amount of Overpayment for Contract Year Periods	<b>\$496,545.00</b>	<b>\$331,030.00</b>	<b>\$333,379.20</b>

Based on a 52-week year, during years 1-3 of the contract, the network maintenance employee would have worked an average of 107 hours per week. During years 1 and 2 of the contract, the on-site LAN support engineer would have worked an average of 71.5 hours per week. Based on the duration and number of hours per week, it is unreasonable to believe the network maintenance employee worked 107 hours per week during the first 3 years of the contract and will continue to do so for the remainder of the contract. Further, it is also unreasonable to believe that the on-site LAN support engineer worked 71.5 hours per week during contract years 1 and 2.

The contract project manager stated that the hours for the network maintenance employee and on-site LAN support engineer as provided in the contract are inflated to include overhead and general/administrative expenses. Generally, overhead and general/administrative expenses are calculated as separate rates, calculated as a percentage of the total project cost, or broken out separately. Our review of the contractor's best and final cost document revealed that the contractor itemized and allocated indirect project management costs, office expenses, facilities rent, and other direct costs separately. As such, inflating work hours is highly unusual. In fact, if work hours have been inflated to include overhead and general/administrative expenses, then the District may have been double billed for these expenses.

CSED personnel were familiar with some of the people who provide services under the contract; however, they were unsure of the specific contract employees who occupied the network maintenance or telecommunications specialist positions. The CSED contract project manager, ADP manager, and contract monitor informed us that they had not verified whether the contractor had provided these employees and, if so, whether those employees worked the hours as provided in the contract. The contract monitor stated that



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## **FINDINGS AND RECOMMENDATIONS**

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he was instructed by a former CSED director to pay the facilities management costs without question because the costs are fixed. However, as specified in the contract, the facility management costs are based on certain staffing levels and labor hours that the contractor agreed to provide. As such, the CSED should expect that the contractor would fulfill its contractual obligation to supply the personnel as stated in the contract or seek modification of the contract terms. In addition, CSED should have noticed that work hours for network maintenance employees were excessive and unreasonable and should have not paid them without challenging their veracity.

### **RECOMMENDATION 1**

We recommended that the Office of the Corporation Counsel, in concert with the Office of Contracting and Procurement take action to recover the value of direct and indirect communications and network personnel salary costs paid by the District for employees that were not provided by the contractor in accordance with contract terms.

### **AGENCY RESPONSE**

OCC concurred with the recommendation and has planned or taken action, in concert with the Office of Contracting and Procurement, to address the issues identified. The full text of OCC's response is at Exhibit B.

### **OIG COMMENT**

We considered OCC's actions to be responsive and meet the intent of the recommendation.

### **RECOMMENDATION 2**

We recommended that the Office of the Corporation Counsel, in concert with the Office of Contracting and Procurement modify the contract for the future value of direct and indirect communications personnel and network maintenance personnel salary costs to the level required to provide the needed services.

### **AGENCY RESPONSE**

OCC concurred with the recommendation and has planned or taken action, in concert with the Office of Contracting and Procurement, to address the issues identified. The full text of OCC's response is at Exhibit B.

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## **FINDINGS AND RECOMMENDATIONS**

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### **OIG COMMENT**

We considered OCC's actions to be responsive and meet the intent of the recommendation.

### **RECOMMENDATION 3**

We recommended that the Office of the Corporation Counsel, in concert with the Office of Contracting and Procurement take action to recover overpayment for excessive hours paid for the network maintenance and on-site LAN support engineer positions in contract years 1 - 3 and initiate a contract modification to adjust the contract hours for the network maintenance position in contract years 4 - 5.

### **AGENCY RESPONSE**

OCC and OCTO concurred with the recommendation and both have planned or taken action, in concert with OCP, to address the issues identified. The full text of OCC's and OCTO's responses is at Exhibit B and C, respectively.

### **OIG COMMENT**

We considered OCC's actions to be responsive and meet the intent of the recommendation.

### **RECOMMENDATION 4**

We recommended that the Office of the Corporation Counsel, in concert with the Office of Contracting and Procurement periodically review and certify personnel staffing records, job descriptions, and time and attendance records to ensure that the contractor supplies personnel as provided in the contract.

### **AGENCY RESPONSE**

OCC concurred with the recommendation and has planned or taken action, in concert with OCP, to address the issues identified. The full text of OCC's response is at Exhibit B.

### **OIG COMMENT**

We considered OCC's actions to be responsive and meet the intent of the recommendation.

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## FINDINGS AND RECOMMENDATIONS

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### FINDING 2: EQUIPMENT MAINTENANCE COST

#### SYNOPSIS

During the first 3 years of the 5-year contract, CSED paid the contractor \$13,686 in PC maintenance which should have been covered under the 3-year PC manufacturer's warranty. Additionally, CSED will incur \$434,066 in unreasonable PC maintenance cost spanning the fourth (current) and final years of the contract. Stated otherwise, CSED has expended funds unnecessarily for PC maintenance and, if corrective action is not taken, will expend additional funds in this area that could be put to better use. For example, excessive expenditures for PC maintenance during the last 2 contract years could be used to procure new PCs that carry a 3-year manufacturer's warranty, replacement PCs, or less expensive extended warranties. These conditions exist because management failed to exercise sufficient review and oversight of the contract activities.

#### DISCUSSION

We analyzed PC cost incurred during the first 3 years of the contract, and then reviewed equipment maintenance expenses for the remaining contract term. The following discussion explains the results of our analysis.

**Warranty Cost** - During the first 3 years of the 5-year contract, CSED paid the contractor \$13,686 in PC maintenance, which should have been covered under the 3-year PC manufacturer's warranty in accordance with contract provisions. Table 5 below lists the total amount paid for the 3-year contract period.

**TABLE 5: PC MAINTENANCE COST**

Term	Cost
Year 1	\$4,286
Year 2	\$4,501
Year 3	\$4,899
<b>3 Year Total</b>	<b>\$13,686</b>

Section H.9 of the contract provides that "[t]he price of the warranty shall be included in the purchase price of the item. . . . [I]tems still under warranty shall not be charged a

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## FINDINGS AND RECOMMENDATIONS

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maintenance charge for the duration of the warranty.” The contract provides that the price of the 81 printers included a manufacturer’s 1-year warranty that was upgraded to a 5-Year On-Site, Next-Day Response Maintenance warranty. Both the 3-year warranty cost for the PCs and the 5-year warranty cost on the printers was included in the original cost to acquire the PCs and printers. As such, CSED should not have incurred any PC maintenance charges for years 1-3 of the contract or any printer maintenance charges for the term of the contract.

**Equipment Maintenance** - CSED will incur \$447,752 in unreasonable PC maintenance cost, during both the fourth (current) and final years of the contract. Pursuant to the contract, CSED ordered approximately 300 PCs that cost nearly \$593,000 and 81 printers that cost approximately \$217,246. As stated above, the PCs and printers were purchased with warranty protection. However, now that the manufacturer’s warranty on the PCs has expired (after contract year 3), the contractor is charging CSED \$211,867 for PC maintenance currently (contract year 4) and will charge \$222,199 in the final year. Based on CSED’s purchase of 300 PCs, the average maintenance cost is approximately \$706 per PC for year 4 and \$741 per PC for year 5 of the contract. Table 6 below provides PC maintenance costs for both years.

**TABLE 6: PC MAINTENANCE COST**

Term	Cost	Per PC Cost
Year 4	\$211,867	\$706
Year 5	\$222,199	\$741
<b>2 Year Total</b>	<b>\$434,066</b>	

Article 1 of the contract requires the contractor to “[p]rovide equipment maintenance services for all the contractor’s equipment at the facility management site as well as District owned equipment in the CSED, Superior Court, Public Assistance office, and the Foster Care office.”<sup>13</sup> The contract provides that the contractor will adopt a “PC Swap” maintenance plan pursuant to which inoperable PCs be will taken to an IBM manufacturer’s facility for repair and replaced with a temporary PC while repairs are being made. Based on the contractor’s maintenance plan for replacing inoperable PCs and printers, and the on-site maintenance provided for under the printers’ warranty, costly and highly skilled technical expertise is not required to accomplish PC and printer maintenance.

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<sup>13</sup> The DCCSES service contract defines equipment maintenance as “all operating software, all equipment, including [D.C.] owned [PCs], printers and print servers, all DCCSES telecommunications equipment and software, and the interagency LAN . . . ”

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## FINDINGS AND RECOMMENDATIONS

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Article 22.15 section H.8 of the contract provides that “[t]he government may, at any time during the term of this contract or any extensions thereof, modify the contract to acquire products which are similar to those under the basic contract . . . . This action is considered to be within the scope of the contract.” Assuming a 3–5 year useful PC life and, based on the contractor’s methodology for providing maintenance, CSED should cancel the PC maintenance portion of the contract, thereby reducing the facilities management fixed cost for years 4 and 5 by \$211,867 and \$222,199, respectively. These funds could be used to purchase new PCs, purchase replacement PCs, purchase less expensive extended warranties from independent companies, or otherwise be put to better use. For example, assuming a purchase price of approximately \$1500 per PC, CSED could: (1) purchase approximately 141 and 148 PCs in years 4 and 5, respectively; or (2) purchase several spare computers to replace inoperable ones. The purchase of new computers would provide the CSED with more current technology and software. Additionally, in conjunction with the new PC purchases, CSED could purchase a 3-year manufacturer’s warranty that would exceed the remaining term of the contract and lessen PC maintenance cost in prospective years.

### RECOMMENDATION 5

We recommended that the Office of the Corporation Counsel, in concert with the Office of Contracting and Procurement take action to recover the \$13,686 CSED paid to the contractor for PC and printer maintenance while the equipment was under the manufacturer’s warranty.

### AGENCY RESPONSE

OCC concurred with the recommendation and has planned or taken action, in concert with OCP, to address the issues identified. The full text of OCC’s response is at Exhibit B.

### OIG COMMENT

We considered OCC’s actions to be responsive and meet the intent of the recommendation.

### RECOMMENDATION 6

We recommended that the Office of the Corporation Counsel, in concert with the Office of Contracting and Procurement initiate action to modify the contract to cancel the PC maintenance portion of the contract for the remaining term to allow CSED to purchase new PCs, purchase spare replacement PCs, purchase less expensive extended warranties or maintenance agreements from independent companies, or otherwise put the funds to better use.

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## **FINDINGS AND RECOMMENDATIONS**

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### **AGENCY RESPONSE**

OCC concurred with the recommendation and has planned or taken action, in concert with OCP, to address the issues identified. The full text of OCC's response is at Exhibit B.

### **OIG COMMENT**

We considered OCC's actions to be responsive and meet the intent of the recommendation.

## FINDINGS AND RECOMMENDATIONS

### FINDING 3: COMPUTER FACILITY COST

#### SYNOPSIS

During the current and final contract years, CSED will incur \$127,723 in facility rental cost for a computer facility that the District can provide at a considerably lower cost. OCTO provides a “server farm”<sup>14</sup> service to District agencies at OCTO data center 2 (ODC2) pursuant to which District agency officials may operate and maintain their servers with direct access to the computer facility. We believe that moving the DCCSES to ODC2 could eliminate or reduce prospective facility management costs, such as: (1) facility rental costs; (2) office costs; (3) consumables costs; (4) courier service costs; (5) business recovery costs; and (6) communications equipment costs.

#### DISCUSSION

**Facility Management Cost** - CSED could avoid \$127,723, (less the cost of the move to ODC2) and any future facility rent payments by moving the CSED computer facility to ODC2. During the first 3 years of the contract, CSED paid \$167,368 for rental space in the computer facility located at 650 Pennsylvania Avenue (CSED computer facility), and will incur rental cost of \$127,723 in years 4 and 5 of the contract. Table 7 provides facilities management cost details for all 5 years of the contract.

**TABLE 7: FACILITIES MANAGEMENT AND OTHER DIRECT COSTS**

Category	Year 1	Year 2	Year 3	Years 1-3 Totals	Year 4	Year 5	Years 4-5 Totals	5-Year Totals
CSED Computer Center	\$52,670	\$55,361	\$59,337	<b>\$167,368</b>	\$62,305	\$65,418	<b>\$127,723</b>	<b>\$295,091</b>
Office Cost	\$12,000	\$9,780	\$46,582	<b>\$68,362</b>	\$44,384	\$44,307	<b>\$88,691</b>	<b>\$157,053</b>
Consumables	\$31,591	\$34,377	\$34,946	<b>\$100,914</b>	\$36,752	\$38,647	<b>\$75,399</b>	<b>\$176,313</b>
Courier Service	\$44,298	\$47,720	\$50,107	<b>\$142,125</b>	\$52,613	\$55,241	<b>\$107,854</b>	<b>\$249,979</b>
Business Recovery	\$24,162	\$24,162	\$24,162	<b>\$72,486</b>	\$24,162	\$24,162	<b>\$48,324</b>	<b>\$120,810</b>
Communications Equipment	\$52,361	\$52,361	\$52,361	<b>\$157,083</b>	\$52,361	\$52,361	<b>\$104,722</b>	<b>\$261,805</b>
<b>Yearly Totals</b>	<b>\$217,082</b>	<b>\$223,761</b>	<b>\$267,495</b>	<b>\$708,338</b>	<b>\$272,577</b>	<b>\$280,136</b>	<b>\$552,713</b>	<b>\$1,261,051</b>

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## FINDINGS AND RECOMMENDATIONS

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In terms of space utilization, the DCCSES is contained in one room of the CSED computer facility. However, the computer facility also provides office and storage space for five employees (four full-time one part-time).

Our discussions with the ODC2 Chief disclosed that ODC2 could accommodate the DCCSES. The ODC2 Chief informed us that ODC2 is currently functioning as a server farm for District agencies; however, during the first 3 years of the contract, the server farm was in its infancy and not readily available to CSED. To operate and maintain agencies' servers, OCTO allows District employees and contractors access to designated areas within ODC2. In addition, the ODC2 Chief stated that she has a staff member who can assist agencies in developing the requisite service level agreement to facilitate services between ODC2 and the agencies. She further stated that OCTO has instituted policies and procedures to standardize IT equipment acceptance, maintenance, and operational processes for equipment located at ODC2.

**Facilities Management Other Direct Costs** - Relocating the CSED computer facility to ODC2 could eliminate or considerably reduce other direct costs associated with facilities management, such as office costs, consumables costs, courier service costs, business recovery costs, and communications equipment costs.

To determine if moving the DCCSES computer facility to ODC2 could eliminate these other direct costs, we asked the contract project manager for the itemized details of the other direct costs contained in Table 7. However, the contract project manager informed us that these details are not kept at the CSED office. CSED personnel informed us that they did not review the details of facilities management-other direct cost and had no idea what purchases were made under each category. CSED personnel stated that they were instructed to pay the facilities management cost because it is a fixed, recurring cost. Because we could not review the details of facilities management-other direct costs, we were unable to determine what type of purchases were made under each category and could not estimate the efficiencies that could result from the move.

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<sup>14</sup> A server farm is a service that allows agency officials to locate their servers within a designated area within ODC2. Additionally, ODC2 allows agency personnel access to the facility for the purpose of operating and maintaining their respective servers.



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## **FINDINGS AND RECOMMENDATIONS**

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### **RECOMMENDATION 7**

We recommended that the Office of the Corporation Counsel, in concert with the Office of the Chief Technology Officer and the Office of Contracting and Procurement determine the feasibility and cost effectiveness of moving the DCCSES computer facility from its present location to ODC2 and if feasible and cost effective, modify the contract to reflect the move.

### **AGENCY RESPONSE**

OCC concurred with the recommendation and has planned or taken action, in concert with OCP, to address the issues identified. The full text of OCC's response is at Exhibit B.

### **OIG COMMENT**

We considered OCC's actions to be responsive and meet the intent of the recommendation.

### **RECOMMENDATION 8**

We recommended that the Office of the Corporation Counsel, in concert with the Office of the Chief Technology Officer and the Office of Contracting and Procurement review the facilities management-other direct costs to determine if CSED can achieve efficiencies and cost reductions resulting from the move of the DCCSES computer facility to ODC2.

### **AGENCY RESPONSE**

OCC concurred with the recommendation and has planned or taken action, in concert with OCP, to address the issues identified. The full text of OCC's response is at Exhibit B.

### **OIG COMMENT**

We considered OCC's actions to be responsive and meet the intent of the recommendation.

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## **FINDINGS AND RECOMMENDATIONS**

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<b>FINDING 4: INADEQUATE COST ADJUSTMENT</b>
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### **SYNOPSIS**

The District did not initiate an adequate contract cost adjustment when the contractor over-billed the District \$1,476,194 for installation of a new network that the contractor did not install. The over-billing occurred because OCP officials did not reduce the contract amount by \$1,476,194 when they modified the contract to delete the installation of a new network deliverable. Rather, after the over billing was detected by the new CSED director, OCP only modified the contract for \$915,389 in cost adjustments. As a result, there remains an apparent over billing of \$560,805 of the original cost adjustment.

### **DISCUSSION**

Initially, the contract required the contractor to install a new network LAN for \$1,476,194. On August 10, 1999, OCP issued a bilateral modification deleting the requirements for the contractor to design and implement the LAN. CSED modified the contract because OCTO was able to install the new network for \$583,946. However, at the time of the modification, OCP neither included the price adjustment on the modification nor adjusted the contract price to reflect the \$1,476,194 reduction resulting from the deletion of the new network deliverable. Because OCP did not include the price reduction in the bilateral modification, the contractor billed CSED \$1,476,194 for installing the new network. From the inception of the contract through March 2002, CSED paid the facilities management fixed monthly billing, which included the cost to install the new network.

Title 27 DCMR § 3604.2 provides that “if the contracting officer and contractor agree in advance to an equitable adjustment in the contract price, delivery terms, or other contract terms, then the contracting officer shall issue a bilateral contract modification and shall not be required to issue a change order.

The contractor agreed that they had over billed the District \$490,383 from the inception of the contract to March 2002. CSED would have continued to pay the contractor for the installation of a new network if the new CSED director had not detected the irregularity and informed the contractor on March 25, 2002.

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## **FINDINGS AND RECOMMENDATIONS**

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The contracting officer should have issued a bilateral modification that included the \$1,476,194 price reduction that resulted from the deletion of the new network installation.

Instead, OCP modified the contract to recoup the \$490,383 that had been over paid and adjusted future billings by \$425,006. The total amount of the over payments and allowances is \$915,389, which is \$560,805 less than the \$1,476,194 the contractor originally billed the CSED for installing a new network. The CSED director stated that at the time of the adjustment, he was sure that the adjusted amount was correct. However, at the time of our discussion, the CSED director stated that he did not have the details of the adjustment readily available and that he would conduct further inquiry into the matter.

Title 27 DCMR § 1203.2 requires OCP to maintain documentation in the contract file “sufficient to constitute a complete history of the transaction.” However, we could not find any supporting documentation in the contract file to explain how CSED, OCP and the contractor arrived at the adjusted amount of \$915,389 modification.

### **RECOMMENDATION 9**

We recommended that the Office of the Corporation Counsel, in concert with the Office of Contracting and Procurement review the contract and modification documentation to determine whether the contract needs further modification to compensate for any remaining amounts the contractor may have over billed the District.

### **AGENCY RESPONSE**

OCC concurred with the recommendation and has planned or taken action, in concert with OCP, to address the issues identified. The full text of OCC’s response is at Exhibit B.

### **OIG COMMENT**

We considered OCC’s actions to be responsive and meet the intent of the recommendation.

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## EXHIBIT A

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<b>SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT</b>
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Recommendation	Description of Benefit	Amount and/or Type of Monetary Benefit
1	Economy and Efficiency. Achieves monetary adjustment resulting from the contractor not providing network and communications personnel as specified in the contract.	Recovery of approximately \$3,961,000 in direct and indirect communications and network maintenance salary costs.
2	Economy and Efficiency. Achieves monetary adjustment for future network and communications personnel costs the contractor may not provide over the remaining term of the contract.	Cost avoidance of \$2,009,178 in direct and indirect communications and network maintenance salary costs.
3	Economy and Efficiency. Will result in recovery of monies paid and avoid future payments for excessive labor hours.	Recovery of \$829,924 for paid excessive labor hours and \$331,030 for future excessive labor costs.
4	Economy and Efficiency. Greater assurance that the contractor is supplying personnel as provided in the contract.	Nonmonetary
5	Economy and Efficiency and Compliance. Achieves compliance with contract term that states maintenance costs will not be charged on PCs while they are under manufacturer warranty.	Recovery of \$13,686 in PC and printer maintenance costs.
6	Economy and Efficiency. Consideration given to less expensive and more practical alternatives to the present PC maintenance agreement.	Approximately \$434,066 of maintenance funds put to better use.
7	Economy and Efficiency. Cost avoidance resulting from moving the DCCSES to a less expensive District computer facility (ODC2).	Cost avoidance of approximately \$127,723 in computer facility rental cost.

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## EXHIBIT A

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<b>SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT</b>
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Recommendation	Description of Benefit	Amount and/or Type of Monetary Benefit
8	Economy and Efficiency. Reduction in facility maintenance other direct costs resulting from moving the DCCSES from its present location to ODC2 and utilizing existing ODC2's infrastructures and services.	Undeterminable. Benefits, if any, would be determined after an examination of CSED requirements compared with compatible ODC2 existing structures.
9	Economy and Efficiency, Compliance and Internal Control. Achieves compliance with 27 DCMR on modifying contracts for equitable adjustments.	Cost avoidance of approximately \$560,805 in over billed cost.

EXHIBIT B

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE CORPORATION COUNSEL



CHILD SUPPORT ENFORCEMENT DIVISION

October 3, 2003

Charles C. Maddox, Esq.  
Inspector General  
Office of the Inspector General  
717 14<sup>th</sup> Street, N.W.  
Washington, D.C. 20005

RE: *Response to Draft Audit Report No. OIG-01-1-11CB(b) dated June 5, 2003, of  
the Office of the Corporation Counsel's Child Support Enforcement Division*

Dear Mr. Maddox:

This letter serves as the response of the Office of the Corporation Counsel's Child Support Enforcement Division ("CSED") to the Office of the Inspector General's ("OIG") Draft Audit of the District of Columbia Child Support Enforcement System Contract (Draft Audit Report No. OIG-01-1-11CB(b)) dated June 5, 2003. CSED's response herein includes a brief background on the subject contract to properly frame the discussion and then comments *seriatim* on each of the four findings and nine recommendations contained in the draft audit report.

The District of Columbia government, on CSED's behalf, entered into Contract No. 8105-AA-NS-4-JJ ("Contract"), with Tier Technologies, Inc. ("contractor"), "requir[ing] the contractor to provide, operate, install, design and develop enhancements, implement and maintain its automated District of Columbia Child Support Enforcement System (DCCSES or 'the system')." See Contract at 1; Modification ("Mod.") No. 2 dated Aug. 10, 1999. Article 22 of the Contract, *Documents Incorporated and Order of Priority*, which was amended by Modification No. 3 dated August 10, 1999, identifies and describes Attachments A through N to the Contract in order of priority in paragraphs 22.1 to 22.15. References to contract attachments in this response use the lettering system assigned to each document in Article 22 as amended.

Article 1 of the Contract, *Scope of Work*, generally requires the contractor to "provide all personnel, logistical support, management, equipment, materials and supplies necessary to" perform (1) new equipment and facility management operations services; (2) database cleanup services; and (3) software modifications services as further described in Article 1.1 through 1.3. Article 1.4 specifically provides that "[t]he contractor shall perform the scope of work in accordance with the Contractor's Performance Requirements, Attachment D, which contains the performance requirement, performance standard, acceptable quality level and surveillance method and frequency." Contract at 4. "With respect to each task identified in Article 1, the contractor shall provide the deliverables outlined in Attachment C." Contract, Article 4, *Commencement of Operations and Deliverables*, at 7. "This is a multi-year contract with a term

beginning May 21, 1999 through May 20, 2004.” *See* Contract, Article 5, *Contract Term*, at 7-8; Mod. No. 7 dated Mar. 8, 2000. Accordingly, as of the date of CSED’s response to the draft audit report, only eight months remain for contractor performance.

Of critical importance, Article 3, *Type of Contract and Contract Amount*, provides that

This is a definite-quantity term contract with payment based on fixed prices as set forth in the contractor’s best and final offer dated May 12, 1999, schedules B.1, B.1.1.1, B.1.1.2, B.1.1.3, B.1.1.4, B.1.2.1, B.1.2.2, B.1.3.1, B.1.4.1, B.1.5.1 and Schedule C, with a price redetermination element based on the amount of travel as set forth in Article 7 below.

The contractor’s 125-page best and final offer dated May 12, 1999, is Attachment G to the Contract. The contractor’s total price proposal of \$31,783,365 is calculated in Schedule B.1 at page 4, which total price proposal is supported by Schedules B.1.1.1 to B.1.5.1 and C occupying pages 5 to 13. These ten schedules are, in turn, supported by direct labor and project management breakdowns comprising the remaining pages 14 to 125 of the contractor’s best and final cost proposal. In fact, even a cursory review of the documents which are referenced in Article 22 and, thus, incorporated by reference into the Contract, suggests that the government and the contractor exerted considerable effort negotiating the specific number of personnel which would be working on the project and the prices for those labor and project management hours.

The documents, however, are somewhat confusing on the type of contract that was created. Request for Proposals (“RFP”) No. 8105-AA-NS-4-JJ stated in Section B, *Services and Prices/Cost*, provides that

The purpose of this solicitation is to upgrade the District’s Child Support equipment, network, and software by obtaining new equipment, Facility Management services, database cleanup services, software changes, maintenance services, and the other services as identified in Section C, and result in the federal certification of the system. *The District plans to award one fixed price contract for such services to one Offeror.* The services are to be provided over a five (5) year period.

Contract, Attachment N, at 3 (italics added). The RFP provides in Section L.3.1.1 that “[t]he District Government prefers award of a fixed price type contract. However, the type of contract is negotiable.” In point of fact, Section L.3.1.2 identifies that “[t]his shall be a requirements contract.” Of course, under Article 22, the Contract language controls over the RFP language to the extent of any conflict.

Finally, it is important to note that the Standard Contract Provisions for Use with District of Columbia Government Supply and Services Contracts (December, 1984) are set forth as

Attachment B to the Contract. Paragraph 32, *Cost and Pricing Data*, which follows similar language in 27 DCMR Part 1624, provides that, “[b]y entering into this contract or submitting this offer, the contractor or offeror certifies that, to the best of the contractor’s or offeror’s knowledge and belief, any cost or pricing data submitted was accurate, complete and current as of the date specified in the contract or offer.”

With this brief contractual framework in mind, CSED responds to each of the four findings and nine recommendations as follows:

*Finding 1: Contractor Personnel Cost*

*Recommendation 1: Take action to recover the value of direct and indirect communications and network personnel salary costs paid by the District for employees that were not provided by the contractor in accordance with contract terms.*

*Recommendation 2: Modify the contract for the future value of direct and indirect communications personnel and network maintenance personnel salary costs to the level required to provide the needed services.*

*Recommendation 3: Take action to recover overpayment for excessive hours paid for the network maintenance and on-site LAN support engineer positions in contract years 1–3 and initiate a contract modification to adjust the contract hours for the network maintenance position in contract years 4–5.*

*Recommendation 4: Periodically review and certify personnel staffing records, job descriptions, and time and attendance records to ensure that the contractor supplies personnel as provided in the contract.*

CSED generally agrees with Finding 1 and disagrees with the contractor’s characterization of a “firm fixed-price contract”. As a matter of basic contract law, the contractor’s position cannot be supported. First, the Contract itself indicates that “[t]his is a definite-quantity term contract with payment based on fixed prices . . . .” CSED recognizes that it too has mistakenly referred to a fixed-price contract in some of its correspondence. Such mistaken characterizations are not determinative.

Second, looking at the Contract as a whole and not simply parroting the language, it can only be described accurately as a definite quantity contract. The Contract is replete with documentation of cost and pricing data provided by the contractor based on the staffing levels negotiated with the government. Indeed, the RFP at Section L.1.9.7.2 required the contractor to provide staff loading charts for each task and deliverable showing, “by week, the position and name of the person assigned and how many hours that person will work on the project during the week.” The RFP goes so far as requiring the contractor to “assume no more than eight (8) work hours per



day and no more than five (5) work days per week”. *See id.* In essence, the contractor argues that the government’s detailed discussions and evaluation of the price proposal based on staffing levels are a nullity because the contractor need only meet the minimum requirements in Articles 19 and 1.5.4 and “perform the scope of work in accordance with the Contractor’s Performance Requirements, Attachment D, which contains the performance requirement, performance standard, acceptable quality level and surveillance method and frequency.” *See* Contract at 4. While the contractor confuses the issue by stating it in terms of an “exchange for the risk,” the fact of the matter is that the contractor enjoys a windfall if it is not required to staff the project in accordance with its winning best and final technical and cost proposals. Functionally, this situation is no better than the proverbial “bait-and-switch,” albeit for services rather than goods.

Given CSED’s underlying agreement with Finding 1, although admittedly for somewhat different reasons, we will work with the contractor and Office of Contracting and Procurement (“OCP”) officials to determine an appropriate modification of the contract amount based on Recommendations 1, 2 and 3. Because there is only eight months of contractor performance remaining, there is little utility in establishing the type of detailed staffing review on the Contract as set forth in Recommendation 4 at this time. However, the staffing level information required in the RFP based on project tasks should be discussed with the contractor.

*Finding 2: Equipment Maintenance Cost*

*Recommendation 5: Take action to recover \$13,686 CSED paid to the contractor for PC and printer maintenance while the equipment was under the manufacturer’s warranty.*

*Recommendation 6: Initiate action to modify the contract to cancel the PC maintenance portion of the contract for the remaining term to allow CSED to purchase new PCs, purchase spare replacement PCs, purchase less expensive extended warranties or maintenance agreements from independent companies, or otherwise put the funds to better use.*

CSED generally agrees with Finding 2 and will work with the contractor to recover \$13,686 as set forth in Recommendation 5 for maintenance on the contractor’s equipment in Indianapolis because there is no provision of which we are aware for recovery of such costs under the Contract. With respect to Recommendation 6, CSED currently is working with the Office of the Chief Technology Officer (“OCTO”) to determine the Office of the Corporation Counsel’s office-wide PC needs given its budgetary constraints. At a minimum, CSED will work with the contractor and OCP to initiate an appropriate modification to serve the government’s best interests in light of the current contractual circumstances.

*Finding 3: Computer Facility Cost*

*Recommendation 7: Determine the feasibility and cost effectiveness of moving the DCCSES computer facility from its present location to ODC2 and if feasible and cost effective, modify the contract to reflect the move.*

*Recommendation 8: Review the facilities management-other direct costs to determine if CSED can achieve efficiencies and cost reductions resulting from the move of the DCCSES computer facility to ODC2.*

CSED generally agrees with Finding 3, but notes that OCTO currently is unwilling to house the DCCSES computer facility in ODC2 because of the nightly batching requirements of the system. Nevertheless, with respect to Recommendations 7 and 8, CSED currently is working with OCTO to determine the Office of the Corporation Counsel's office-wide computer facility needs given its budgetary constraints. At a minimum, CSED will work with the contractor and OCP to initiate an appropriate modification to serve the government's best interests in light of the current contractual circumstances.

*Finding 4: Inadequate Cost Adjustment*

*Recommendation 9: Review the contract and modification documentation to determine whether the contract needs further modification to compensate for any remaining amounts the contractor may have over billed the District.*


CSED is unable to agree or disagree with Finding 4 or Recommendation 9 at this time. As the draft audit report points out, the determination and findings normally included in an official contract file to substantiate contract actions are absent for this Contract. As part of our discussions with the contractor and OCP to resolve the other issues raised in the draft audit report, CSED will review the contract billings to determine whether further modifications are necessary to recoup any balance of the \$1,476,194 contract amount deduction made necessary by deletion of the new network installation work.

Charles C. Maddox, Esq.  
Inspector General  
October 3, 2003  
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Should you have any further questions concerning this response, please do not hesitate to contact the undersigned on (202) 724-5568.


Sincerely,

ROBERT J. SPAGNOLETTI  
Corporation Counsel

By: 

MARK D. BACK  
Special Counsel

MDB:mdb

cc: Herbert R. Tillery, Deputy Mayor for Operations  
Robert J. Spagnoletti, Corporation Counsel  
Jacques Abadie, III, Chief Procurement Officer  
Suzanne J. Peck, Chief Technology Officer  
Benidia A. Rice, Director, Child Support Enforcement Division  
 Sr. Vice President/General Manager, Tier Technologies, Inc.  
William J. DiVello, Assistant Inspector General for Audits

**EXHIBIT C**

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE CHIEF TECHNOLOGY OFFICER**



June 26, 2003

Charles C. Maddox, Esq.  
Inspector General  
717 14<sup>th</sup> Street, N.W., 5<sup>th</sup> Floor  
Washington, DC 20005

Dear Mr. Maddox:

I am responding to your draft audit report of June 5, 2003 summarizing the results of the Office of Inspector General's Audit of the DC Child Support Enforcement System Contract.

The draft includes only one recommendation affecting this agency. Specifically, your Recommendation #3 advises that OCTO and the Office of Corporation Counsel, the Office of Contracting and Procurement, and this agency collaborate in determining the feasibility of moving the Child Support Enforcement Division (CSED) computer to ODC2, and, if feasible, modify the contract accordingly; and that the three agencies collaborate in determining whether the move would produce cost savings and efficiencies as a result of the move.

We concur with the recommendation and will participate in the collaboration you recommend.

Sincerely,

A handwritten signature in black ink, appearing to read "Clark Pewitt", with a stylized flourish at the end.

Clark Pewitt  
Deputy Chief Technology Officer